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(Original Signature of Member)

109TH CONGRESS  
1ST SESSION

**H. R.** \_\_\_\_\_

To amend the Internal Revenue Code of 1986 to enhance energy infrastructure properties in the United States and to encourage the use of certain energy technologies, and for other purposes.

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Mr. THOMAS introduced the following bill; which was referred to the  
Committee on \_\_\_\_\_  
\_\_\_\_\_

## **A BILL**

To amend the Internal Revenue Code of 1986 to enhance energy infrastructure properties in the United States and to encourage the use of certain energy technologies, and for other purposes.

1       *Be it enacted by the Senate and House of Representa-*  
2       *tives of the United States of America in Congress assembled,*

3       **SECTION 1. REFERENCE; TABLE OF CONTENTS.**

4       (a) AMENDMENT OF 1986 CODE.—Except as other-  
5       wise expressly provided, whenever in this Act an amend-  
6       ment or repeal is expressed in terms of an amendment  
7       to, or repeal of, a section or other provision, the reference

1 shall be considered to be made to a section or other provi-  
2 sion of the Internal Revenue Code of 1986.

3 (b) TABLE OF CONTENTS.—The table of contents for  
4 this Act is as follows:

Sec. 1. Reference; table of contents.

#### TITLE I—ENERGY INFRASTRUCTURE TAX INCENTIVES

Sec. 101. Natural gas gathering lines treated as 7-year property.

Sec. 102. Natural gas distribution lines treated as 15-year property.

Sec. 103. Electric transmission property treated as 15-year property.

Sec. 104. Expansion of amortization for certain atmospheric pollution control facilities in connection with plants first placed in service after 1975.

Sec. 105. Modification of credit for producing fuel from a nonconventional source.

Sec. 106. Modifications to special rules for nuclear decommissioning costs.

Sec. 107. Arbitrage rules not to apply to prepayments for natural gas.

Sec. 108. Determination of small refiner exception to oil depletion deduction.

#### TITLE II—MISCELLANEOUS ENERGY TAX INCENTIVES

Sec. 201. Credit for residential energy efficient property.

Sec. 202. Credit for business installation of qualified fuel cells.

Sec. 203. Reduced motor fuel excise tax on certain mixtures of diesel fuel.

Sec. 204. Amortization of delay rental payments.

Sec. 205. Amortization of geological and geophysical expenditures.

Sec. 206. Advanced lean burn technology motor vehicle credit.

Sec. 207. Credit for energy efficiency improvements to existing homes.

#### TITLE III—ALTERNATIVE MINIMUM TAX RELIEF

Sec. 301. New nonrefundable personal credits allowed against regular and minimum taxes.

Sec. 302. Certain business energy credits allowed against regular and minimum taxes.

## 5 **TITLE I—ENERGY INFRASTRUC-** 6 **TURE TAX INCENTIVES**

### 7 **SEC. 101. NATURAL GAS GATHERING LINES TREATED AS 7-** 8 **YEAR PROPERTY.**

9 (a) IN GENERAL.—Subparagraph (C) of section  
10 168(e)(3) (relating to classification of certain property) is  
11 amended by striking “and” at the end of clause (iii), by

1 redesignating clause (iv) as clause (v), and by inserting  
2 after clause (iii) the following new clause:

3 “(iv) any natural gas gathering line,  
4 and”.

5 (b) NATURAL GAS GATHERING LINE.—Subsection (i)  
6 of section 168 is amended by inserting after paragraph  
7 (16) the following new paragraph:

8 “(17) NATURAL GAS GATHERING LINE.—The  
9 term ‘natural gas gathering line’ means—

10 “(A) the pipe, equipment, and appur-  
11 tenances determined to be a gathering line by  
12 the Federal Energy Regulatory Commission,  
13 and

14 “(B) the pipe, equipment, and appur-  
15 tenances used to deliver natural gas from the  
16 wellhead or a commonpoint to the point at  
17 which such gas first reaches—

18 “(i) a gas processing plant,

19 “(ii) an interconnection with a trans-  
20 mission pipeline for which a certificate as  
21 an interstate transmission pipeline has  
22 been issued by the Federal Energy Regu-  
23 latory Commission,

24 “(iii) an interconnection with an  
25 intrastate transmission pipeline, or

1                   “(iv) a direct interconnection with a  
2                   local distribution company, a gas storage  
3                   facility, or an industrial consumer.”.

4           (c) ALTERNATIVE SYSTEM.—The table contained in  
5 section 168(g)(3)(B) is amended by inserting after the  
6 item relating to subparagraph (C)(iii) the following:

          “(C) (iv) ..... 14”.

7           (d) ALTERNATIVE MINIMUM TAX EXCEPTION.—Sub-  
8 paragraph (B) of section 56(a)(1) is amended by inserting  
9 before the period the following: “, or in section  
10 168(e)(3)(C)(iv)”.

11          (e) EFFECTIVE DATE.—The amendments made by  
12 this section shall apply to property placed in service after  
13 April 11, 2005.

14 **SEC. 102. NATURAL GAS DISTRIBUTION LINES TREATED AS**  
15 **15-YEAR PROPERTY.**

16          (a) IN GENERAL.—Subparagraph (E) of section  
17 168(e)(3) (relating to classification of certain property) is  
18 amended by striking “and” at the end of clause (v), by  
19 striking the period at the end of clause (vi) and inserting  
20 “, and”, and by adding at the end the following new  
21 clause:

22                   “(vii) any natural gas distribution  
23                   line.”.

1 (b) ALTERNATIVE SYSTEM.—The table contained in  
2 section 168(g)(3)(B) is amended by inserting after the  
3 item relating to subparagraph (E)(vi) the following:

“(E) (vii) ..... 35”.

4 (c) EFFECTIVE DATE.—The amendments made by  
5 this section shall apply to property placed in service after  
6 April 11, 2005.

7 **SEC. 103. ELECTRIC TRANSMISSION PROPERTY TREATED**  
8 **AS 15-YEAR PROPERTY.**

9 (a) IN GENERAL.—Subparagraph (E) of section  
10 168(e)(3) (relating to classification of certain property),  
11 as amended by section 102 of this Act, is amended by  
12 striking “and” at the end of clause (vi), by striking the  
13 period at the end of clause (vii) and inserting “, and”,  
14 and by adding at the end the following new clause:

15 “(viii) any section 1245 property (as  
16 defined in section 1245(a)(3)) used in the  
17 transmission at 69 or more kilovolts of  
18 electricity for sale and the original use of  
19 which commences with the taxpayer after  
20 April 11, 2005.”.

21 (b) ALTERNATIVE SYSTEM.—The table contained in  
22 section 168(g)(3)(B) is amended by inserting after the  
23 item relating to subparagraph (E)(vii) the following:

“(E) (viii) ..... 30”.

1 (c) EFFECTIVE DATE.—The amendments made by  
2 this section shall apply to property placed in service after  
3 April 11, 2005.

4 **SEC. 104. EXPANSION OF AMORTIZATION FOR CERTAIN AT-**  
5 **MOSPHERIC POLLUTION CONTROL FACILI-**  
6 **TIES IN CONNECTION WITH PLANTS FIRST**  
7 **PLACED IN SERVICE AFTER 1975.**

8 (a) ELIGIBILITY OF POST-1975 POLLUTION CON-  
9 TROL FACILITIES.—Subsection (d) of section 169 (relat-  
10 ing to definitions) is amended by adding at the end the  
11 following:

12 “(5) SPECIAL RULE RELATING TO CERTAIN AT-  
13 MOSPHERIC POLLUTION CONTROL FACILITIES.—In  
14 the case of any atmospheric pollution control facility  
15 which is placed in service after April 11, 2005, and  
16 used in connection with an electric generation plant  
17 or other property which is primarily coal fired, para-  
18 graph (1) shall be applied without regard to the  
19 phrase ‘in operation before January 1, 1976’.”.

20 (b) TECHNICAL AMENDMENT.—Section 169(d)(3) is  
21 amended by striking “Health, Education, and Welfare”  
22 and inserting “Health and Human Services”.

23 (c) EFFECTIVE DATE.—The amendments made by  
24 this section shall apply to facilities placed in service after  
25 April 11, 2005.

1 **SEC. 105. MODIFICATION OF CREDIT FOR PRODUCING**  
2 **FUEL FROM A NONCONVENTIONAL SOURCE.**

3 (a) TREATMENT AS BUSINESS CREDIT.—

4 (1) CREDIT MOVED TO SUBPART RELATING TO  
5 BUSINESS RELATED CREDITS.—The Internal Rev-  
6 enue Code of 1986 is amended by redesignating sec-  
7 tion 29 as section 45J and by moving section 45J  
8 (as so redesignated) from subpart B of part IV of  
9 subchapter A of chapter 1 to the end of subpart D  
10 of part IV of subchapter A of chapter 1.

11 (2) CREDIT TREATED AS BUSINESS CREDIT.—  
12 Section 38(b) is amended by striking “plus” at the  
13 end of paragraph (18), by striking the period at the  
14 end of paragraph (19) and inserting “, plus”, and  
15 by adding at the end the following:

16 “(20) the nonconventional source production  
17 credit determined under section 45J(a).”.

18 (3) CONFORMING AMENDMENTS.—

19 (A) Section 30(b)(3)(A) is amended by  
20 striking “sections 27 and 29” and inserting  
21 “section 27”.

22 (B) Sections 43(b)(2), 45I(b)(2)(C)(i), and  
23 613A(c)(6)(C) are each amended by striking  
24 “section 29(d)(2)(C)” and inserting “section  
25 45J(d)(2)(C)”.

26 (C) Section 45(e)(9) is amended—

1 (i) by striking “section 29” and in-  
2 serting “section 45J”, and

3 (ii) by inserting “(or under section 29,  
4 as in effect on the day before the date of  
5 enactment of this parenthetical, for any  
6 prior taxable year)” before the period at  
7 the end thereof.

8 (D) Section 45I is amended—

9 (i) in subsection (c)(2)(A) by striking  
10 “section 29(d)(5))” and inserting “section  
11 45J(d)(5))”, and

12 (ii) in subsection (d)(3) by striking  
13 “section 29” both places it appears and in-  
14 serting “section 45J”.

15 (E) Section 45J(a), as redesignated by  
16 paragraph (1), is amended by striking “There  
17 shall be allowed as a credit against the tax im-  
18 posed by this chapter for the taxable year” and  
19 inserting “For purposes of section 38, if the  
20 taxpayer elects to have this section apply, the  
21 nonconventional source production credit deter-  
22 mined under this section for the taxable year  
23 is”.

24 (F) Section 45J(b), as so redesignated, is  
25 amended by striking paragraph (6).



1 (G) Section 53(d)(1)(B)(iii) is amended by  
2 striking “under section 29” and all that follows  
3 through “or not allowed”.

4 (H) Section 55(c)(3) is amended by strik-  
5 ing “29(b)(6),”.

6 (I) Subsection (a) of section 772 is amend-  
7 ed by inserting “and” at the end of paragraph  
8 (9), by striking paragraph (10), and by redesign-  
9 ating paragraph (11) as paragraph (10).

10 (J) Paragraph (5) of section 772(d) is  
11 amended by striking “the foreign tax credit,  
12 and the credit allowable under section 29” and  
13 inserting “and the foreign tax credit”.

14 (K) The table of sections for subpart B of  
15 part IV of subchapter A of chapter 1 is amend-  
16 ed by striking the item relating to section 29.

17 (L) The table of sections for subpart D of  
18 part IV of subchapter A of chapter 1 is amend-  
19 ed by inserting after the item relating to section  
20 45I the following new item:

“Sec. 45J. Credit for producing fuel from a nonconventional source.”.

21 (b) AMENDMENTS CONFORMING TO THE REPEAL OF  
22 THE NATURAL GAS POLICY ACT OF 1978.—

23 (1) IN GENERAL.—Section 29(c)(2)(A) (before  
24 redesignation under subsection (a)) is amended—

1 (A) by inserting “(as in effect before the  
2 repeal of such section)” after “1978”, and

3 (B) by striking subsection (e) and redesign-  
4 nating subsections (f) and (g) as subsections (e)  
5 and (f), respectively.

6 (2) CONFORMING AMENDMENTS.—Section  
7 29(g)(1)(before redesignation under subsection (a)  
8 and paragraph (1) of this subsection) is amended—

9 (A) in subparagraph (A) by striking “sub-  
10 section (f)(1)(B)” and inserting “subsection  
11 (e)(1)(B)”, and

12 (B) in subparagraph (B) by striking “sub-  
13 section (f)” and inserting “subsection (e)”.

14 (c) EFFECTIVE DATES.—

15 (1) IN GENERAL.—Except as provided in para-  
16 graph (2), the amendments made by this section  
17 shall apply to credits determined under the Internal  
18 Revenue Code of 1986 for taxable years ending after  
19 December 31, 2005.

20 (2) SUBSECTION (b).—The amendments made  
21 by subsection (b) shall take effect on the date of the  
22 enactment of this Act.

1 **SEC. 106. MODIFICATIONS TO SPECIAL RULES FOR NU-**  
2 **CLEAR DECOMMISSIONING COSTS.**

3 (a) REPEAL OF LIMITATION ON DEPOSITS INTO  
4 FUND BASED ON COST OF SERVICE; CONTRIBUTIONS  
5 AFTER FUNDING PERIOD.—Subsection (b) of section  
6 468A (relating to special rules for nuclear decommis-  
7 sioning costs) is amended to read as follows:

8 “(b) LIMITATION ON AMOUNTS PAID INTO FUND.—  
9 The amount which a taxpayer may pay into the Fund for  
10 any taxable year shall not exceed the ruling amount appli-  
11 cable to such taxable year.”.

12 (b) TREATMENT OF CERTAIN DECOMMISSIONING  
13 COSTS.—

14 (1) IN GENERAL.—Section 468A is amended by  
15 redesignating subsections (f) and (g) as subsections  
16 (g) and (h), respectively, and by inserting after sub-  
17 section (e) the following new subsection:

18 “(f) TRANSFERS INTO QUALIFIED FUNDS.—

19 “(1) IN GENERAL.—Notwithstanding subsection  
20 (b), any taxpayer maintaining a Fund to which this  
21 section applies with respect to a nuclear power plant  
22 may transfer into such Fund not more than an  
23 amount equal to the present value of the portion of  
24 the total nuclear decommissioning costs with respect  
25 to such nuclear power plant previously excluded for  
26 such nuclear power plant under subsection (d)(2)(A)

1 as in effect immediately before the date of the enact-  
2 ment of this subsection.

3 “(2) DEDUCTION FOR AMOUNTS TRANS-  
4 FERRED.—

5 “(A) IN GENERAL.—Except as provided in  
6 subparagraph (C), the deduction allowed by  
7 subsection (a) for any transfer permitted by  
8 this subsection shall be allowed ratably over the  
9 remaining estimated useful life (within the  
10 meaning of subsection (d)(2)(A)) of the nuclear  
11 power plant beginning with the taxable year  
12 during which the transfer is made.

13 “(B) DENIAL OF DEDUCTION FOR PRE-  
14 VIOUSLY DEDUCTED AMOUNTS.—No deduction  
15 shall be allowed for any transfer under this sub-  
16 section of an amount for which a deduction was  
17 previously allowed to the taxpayer (or a prede-  
18 cessor) or a corresponding amount was not in-  
19 cluded in gross income of the taxpayer (or a  
20 predecessor). For purposes of the preceding  
21 sentence, a ratable portion of each transfer  
22 shall be treated as being from previously de-  
23 ducted or excluded amounts to the extent there-  
24 of.

1 “(C) TRANSFERS OF QUALIFIED FUNDS.—

2 If—

3 “(i) any transfer permitted by this  
4 subsection is made to any Fund to which  
5 this section applies, and

6 “(ii) such Fund is transferred there-  
7 after,

8 any deduction under this subsection for taxable  
9 years ending after the date that such Fund is  
10 transferred shall be allowed to the transferor  
11 for the taxable year which includes such date.

12 “(D) SPECIAL RULES.—

13 “(i) GAIN OR LOSS NOT RECOGNIZED  
14 ON TRANSFERS TO FUND.—No gain or loss  
15 shall be recognized on any transfer de-  
16 scribed in paragraph (1).

17 “(ii) TRANSFERS OF APPRECIATED  
18 PROPERTY TO FUND.—If appreciated prop-  
19 erty is transferred in a transfer described  
20 in paragraph (1), the amount of the deduc-  
21 tion shall not exceed the adjusted basis of  
22 such property.

23 “(3) NEW RULING AMOUNT REQUIRED.—Para-  
24 graph (1) shall not apply to any transfer unless the

1 taxpayer requests from the Secretary a new schedule  
2 of ruling amounts in connection with such transfer.

3 “(4) NO BASIS IN QUALIFIED FUNDS.—Not-  
4 withstanding any other provision of law, the tax-  
5 payer’s basis in any Fund to which this section ap-  
6 plies shall not be increased by reason of any transfer  
7 permitted by this subsection.”.

8 (2) NEW RULING AMOUNT TO TAKE INTO AC-  
9 COUNT TOTAL COSTS.—Subparagraph (A) of section  
10 468A(d)(2) (defining ruling amount) is amended to  
11 read as follows:

12 “(A) fund the total nuclear decommis-  
13 sioning costs with respect to such power plant  
14 over the estimated useful life of such power  
15 plant, and”.

16 (c) TECHNICAL AMENDMENTS.—Section 468A(e)(2)  
17 (relating to taxation of Fund) is amended—

18 (1) by striking “rate set forth in subparagraph  
19 (B)” in subparagraph (A) and inserting “rate of 20  
20 percent”,

21 (2) by striking subparagraph (B), and

22 (3) by redesignating subparagraphs (C) and  
23 (D) as subparagraphs (B) and (C), respectively.

1 (d) EFFECTIVE DATE.—The amendments made by  
2 this section shall apply to taxable years beginning after  
3 December 31, 2005.

4 **SEC. 107. ARBITRAGE RULES NOT TO APPLY TO PREPAY-**  
5 **MENTS FOR NATURAL GAS.**

6 (a) IN GENERAL.—Subsection (b) of section 148 (re-  
7 lating to higher yielding investments) is amended by add-  
8 ing at the end the following new paragraph:

9 “(4) SAFE HARBOR FOR PREPAID NATURAL  
10 GAS.—

11 “(A) IN GENERAL.—The term ‘investment-  
12 type property’ does not include a prepayment  
13 under a qualified natural gas supply contract.

14 “(B) QUALIFIED NATURAL GAS SUPPLY  
15 CONTRACT.—For purposes of this paragraph,  
16 the term ‘qualified natural gas supply contract’  
17 means any contract to acquire natural gas for  
18 resale by a utility owned by a governmental  
19 unit if the amount of gas permitted to be ac-  
20 quired under the contract by the utility during  
21 any year does not exceed the sum of—

22 “(i) the annual average amount dur-  
23 ing the testing period of natural gas pur-  
24 chased (other than for resale) by cus-

1           tomers of such utility who are located  
2           within the service area of such utility, and

3           “(ii) the amount of natural gas to be  
4           used to transport the prepaid natural gas  
5           to the utility during such year.

6           “(C) NATURAL GAS USED TO GENERATE  
7           ELECTRICITY.—Natural gas used to generate  
8           electricity shall be taken into account in deter-  
9           mining the average under subparagraph  
10          (B)(i)—

11          “(i) only if the electricity is generated  
12          by a utility owned by a governmental unit,  
13          and

14          “(ii) only to the extent that the elec-  
15          tricity is sold (other than for resale) to  
16          customers of such utility who are located  
17          within the service area of such utility.

18          “(D) ADJUSTMENTS FOR CHANGES IN  
19          CUSTOMER BASE.—

20          “(i) NEW BUSINESS CUSTOMERS.—  
21          If—

22                 “(I) after the close of the testing  
23                 period and before the date of issuance  
24                 of the issue, the utility owned by a  
25                 governmental unit enters into a con-



1           tract to supply natural gas (other  
2           than for resale) for a business use at  
3           a property within the service area of  
4           such utility, and

5                   “(II) the utility did not supply  
6           natural gas to such property during  
7           the testing period or the ratable  
8           amount of natural gas to be supplied  
9           under the contract is significantly  
10          greater than the ratable amount of  
11          gas supplied to such property during  
12          the testing period,

13          then a contract shall not fail to be treated  
14          as a qualified natural gas supply contract  
15          by reason of supplying the additional nat-  
16          ural gas under the contract referred to in  
17          subclause (I).

18                   “(ii) LOST CUSTOMERS.—The average  
19          under subparagraph (B)(i) shall not exceed  
20          the annual amount of natural gas reason-  
21          ably expected to be purchased (other than  
22          for resale) by persons who are located  
23          within the service area of such utility and  
24          who, as of the date of issuance of the  
25          issue, are customers of such utility.

1           “(E) RULING REQUESTS.—The Secretary  
2           may increase the average under subparagraph  
3           (B)(i) for any period if the utility owned by the  
4           governmental unit establishes to the satisfaction  
5           of the Secretary that, based on objective evi-  
6           dence of growth in natural gas consumption or  
7           population, such average would otherwise be in-  
8           sufficient for such period.

9           “(F) ADJUSTMENT FOR NATURAL GAS  
10          OTHERWISE ON HAND.—

11          “(i) IN GENERAL.—The amount oth-  
12          erwise permitted to be acquired under the  
13          contract for any period shall be reduced  
14          by—

15                 “(I) the applicable share of nat-  
16                 ural gas held by the utility on the  
17                 date of issuance of the issue, and

18                 “(II) the natural gas (not taken  
19                 into account under subclause (I))  
20                 which the utility has a right to ac-  
21                 quire during such period (determined  
22                 as of the date of issuance of the  
23                 issue).

24          “(ii) APPLICABLE SHARE.—For pur-  
25          poses of the clause (i), the term ‘applicable

1 share' means, with respect to any period,  
2 the natural gas allocable to such period if  
3 the gas were allocated ratably over the pe-  
4 riod to which the prepayment relates.

5 “(G) INTENTIONAL ACTS.—Subparagraph  
6 (A) shall cease to apply to any issue if the util-  
7 ity owned by the governmental unit engages in  
8 any intentional act to render the volume of nat-  
9 ural gas acquired by such prepayment to be in  
10 excess of the sum of—

11 “(i) the amount of natural gas needed  
12 (other than for resale) by customers of  
13 such utility who are located within the  
14 service area of such utility, and

15 “(ii) the amount of natural gas used  
16 to transport such natural gas to the utility.

17 “(H) TESTING PERIOD.—For purposes of  
18 this paragraph, the term ‘testing period’ means,  
19 with respect to an issue, the most recent 5 cal-  
20 endar years ending before the date of issuance  
21 of the issue.

22 “(I) SERVICE AREA.—For purposes of this  
23 paragraph, the service area of a utility owned  
24 by a governmental unit shall be comprised of—

1 “(i) any area throughout which such  
2 utility provided at all times during the  
3 testing period—

4 “(I) in the case of a natural gas  
5 utility, natural gas transmission or  
6 distribution services, and

7 “(II) in the case of an electric  
8 utility, electricity distribution services,

9 “(ii) any area within a county contig-  
10 uous to the area described in clause (i) in  
11 which retail customers of such utility are  
12 located if such area is not also served by  
13 another utility providing natural gas or  
14 electricity services, as the case may be, and

15 “(iii) any area recognized as the serv-  
16 ice area of such utility under State or Fed-  
17 eral law.”.

18 (b) PRIVATE LOAN FINANCING TEST NOT TO APPLY  
19 TO PREPAYMENTS FOR NATURAL GAS.—Paragraph (2) of  
20 section 141(c) (providing exceptions to the private loan fi-  
21 nancing test) is amended by striking “or” at the end of  
22 subparagraph (A), by striking the period at the end of  
23 subparagraph (B) and inserting “, or”, and by adding at  
24 the end the following new subparagraph:

1           “(C) is a qualified natural gas supply con-  
2           tract (as defined in section 148(b)(4)).”.

3           (c) EXCEPTION FOR QUALIFIED ELECTRIC AND NAT-  
4           URAL GAS SUPPLY CONTRACTS.—Section 141(d) is  
5           amended by adding at the end the following new para-  
6           graph:

7           “(7) EXCEPTION FOR QUALIFIED ELECTRIC  
8           AND NATURAL GAS SUPPLY CONTRACTS.—The term  
9           ‘nongovernmental output property’ shall not include  
10          any contract for the prepayment of electricity or nat-  
11          ural gas which is not investment property under sec-  
12          tion 148(b)(2).”.

13          (d) EFFECTIVE DATE.—The amendments made by  
14          this section shall apply to obligations issued after the date  
15          of the enactment of this Act.

16   **SEC. 108. DETERMINATION OF SMALL REFINER EXCEPTION**  
17                   **TO OIL DEPLETION DEDUCTION.**

18          (a) IN GENERAL.—Paragraph (4) of section 613A(d)  
19          (relating to limitations on application of subsection (c))  
20          is amended to read as follows:

21               “(4) CERTAIN REFINERS EXCLUDED.—If the  
22          taxpayer or 1 or more related persons engages in the  
23          refining of crude oil, subsection (c) shall not apply  
24          to the taxpayer for a taxable year if the average  
25          daily refinery runs of the taxpayer and such persons

1 for the taxable year exceed 75,000 barrels. For pur-  
2 poses of this paragraph, the average daily refinery  
3 runs for any taxable year shall be determined by di-  
4 viding the aggregate refinery runs for the taxable  
5 year by the number of days in the taxable year.”.

6 (b) EFFECTIVE DATE.—The amendment made by  
7 this section shall apply to taxable years ending after the  
8 date of the enactment of this Act.

9 **TITLE II—MISCELLANEOUS**  
10 **ENERGY TAX INCENTIVES**

11 **SEC. 201. CREDIT FOR RESIDENTIAL ENERGY EFFICIENT**  
12 **PROPERTY.**

13 (a) IN GENERAL.—Subpart A of part IV of sub-  
14 chapter A of chapter 1 (relating to nonrefundable personal  
15 credits) is amended by inserting after section 25B the fol-  
16 lowing new section:

17 **“SEC. 25C. RESIDENTIAL ENERGY EFFICIENT PROPERTY.**

18 “(a) ALLOWANCE OF CREDIT.—In the case of an in-  
19 dividual, there shall be allowed as a credit against the tax  
20 imposed by this chapter for the taxable year an amount  
21 equal to the sum of—

22 “(1) 15 percent of the qualified solar water  
23 heating property expenditures made by the taxpayer  
24 during such year,

1           “(2) 15 percent of the qualified photovoltaic  
2           property expenditures made by the taxpayer during  
3           such year, and

4           “(3) 15 percent of the qualified fuel cell prop-  
5           erty expenditures made by the taxpayer during such  
6           year.

7           “(b) LIMITATIONS.—

8           “(1) MAXIMUM CREDIT.—

9           “(A) IN GENERAL.—The credit allowed  
10          under subsection (a) shall not exceed—

11               “(i) \$2,000 for solar water heating  
12               property described in subsection (c)(1),

13               “(ii) \$2,000 for photovoltaic property  
14               described in subsection (c)(2), and

15               “(iii) \$500 for each 0.5 kilowatt of ca-  
16               pacity of property described in subsection  
17               (c)(3).

18           “(B) PRIOR EXPENDITURES BY TAXPAYER

19           ON SAME RESIDENCE TAKEN INTO ACCOUNT.—

20           In determining the amount of the credit allowed  
21           to a taxpayer with respect to any dwelling unit  
22           under this section, the dollar amounts under  
23           clauses (i) and (ii) of subparagraph (A) with re-  
24           spect to each type of property described in such  
25           clauses shall be reduced by the credit allowed to

1 the taxpayer under this section with respect to  
2 such type of property for all preceding taxable  
3 years with respect to such dwelling unit.

4 “(2) PROPERTY STANDARDS.—No credit shall  
5 be allowed under this section for an item of property  
6 unless—

7 “(A) the original use of such property com-  
8 mences with the taxpayer,

9 “(B) such property can be reasonably ex-  
10 pected to remain in use for at least 5 years,

11 “(C) such property is installed on or in  
12 connection with a dwelling unit located in the  
13 United States and used as a residence by the  
14 taxpayer,

15 “(D) in the case of solar water heating  
16 property, such property is certified for perform-  
17 ance by the non-profit Solar Rating and Certifi-  
18 cation Corporation or a comparable entity en-  
19 dorsed by the government of the State in which  
20 such property is installed, and

21 “(E) in the case of fuel cell property, such  
22 property meets the performance and quality  
23 standards (if any) which have been prescribed  
24 by the Secretary by regulations (after consulta-  
25 tion with the Secretary of Energy).



1 “(c) DEFINITIONS.—For purposes of this section—

2 “(1) QUALIFIED SOLAR WATER HEATING PROP-  
3 ERTY EXPENDITURE.—The term ‘qualified solar  
4 water heating property expenditure’ means an ex-  
5 penditure for property which uses solar energy to  
6 heat water for use in a dwelling unit.

7 “(2) QUALIFIED PHOTOVOLTAIC PROPERTY EX-  
8 PENDITURE.—The term ‘qualified photovoltaic prop-  
9 erty expenditure’ means an expenditure for property  
10 which uses solar energy to generate electricity for  
11 use in a dwelling unit and which is not described in  
12 paragraph (1).

13 “(3) QUALIFIED FUEL CELL PROPERTY EX-  
14 PENDITURE.—The term ‘qualified fuel cell property  
15 expenditure’ means an expenditure for any qualified  
16 fuel cell property (as defined in section 48(b)(1)).

17 “(d) SPECIAL RULES.—For purposes of this  
18 section—

19 “(1) SOLAR PANELS.—No expenditure relating  
20 to a solar panel or other property installed as a roof  
21 (or portion thereof) shall fail to be treated as prop-  
22 erty described in paragraph (1) or (2) of subsection  
23 (c) solely because it constitutes a structural compo-  
24 nent of the structure on which it is installed.

1           “(2) SWIMMING POOLS, ETC., USED AS STOR-  
2       AGE MEDIUM.—Expenditures which are properly al-  
3       locable to a swimming pool, hot tub, or any other  
4       energy storage medium which has a function other  
5       than the function of such storage shall not be taken  
6       into account for purposes of this section.

7           “(3) DOLLAR AMOUNTS IN CASE OF JOINT OC-  
8       CUPANCY.—In the case of any dwelling unit which is  
9       jointly occupied and used during any calendar year  
10      as a residence by 2 or more individuals, the fol-  
11      lowing rules shall apply:

12           “(A) The amount of the credit allowable  
13      under subsection (a) by reason of expenditures  
14      made during such calendar year by any of such  
15      individuals with respect to such dwelling unit  
16      shall be determined by treating all of such indi-  
17      viduals as 1 taxpayer whose taxable year is  
18      such calendar year.

19           “(B) There shall be allowable, with respect  
20      to such expenditures to each of such individ-  
21      uals, a credit under subsection (a) for the tax-  
22      able year in which such calendar year ends in  
23      an amount which bears the same ratio to the  
24      amount determined under subparagraph (A) as  
25      the amount of such expenditures made by such

1 individual during such calendar year bears to  
2 the aggregate of such expenditures made by all  
3 of such individuals during such calendar year.

4 “(C) Subparagraphs (A) and (B) shall be  
5 applied separately with respect to expenditures  
6 described in paragraphs (1), (2), and (3) of  
7 subsection (c).

8 “(4) TENANT-STOCKHOLDER IN COOPERATIVE  
9 HOUSING CORPORATION.—In the case of an indi-  
10 vidual who is a tenant-stockholder (as defined in sec-  
11 tion 216) in a cooperative housing corporation (as  
12 defined in such section), such individual shall be  
13 treated as having made the individual’s tenant-stock-  
14 holder’s proportionate share (as defined in section  
15 216(b)(3)) of any expenditures of such corporation.

16 “(5) CONDOMINIUMS.—

17 “(A) IN GENERAL.—In the case of an indi-  
18 vidual who is a member of a condominium man-  
19 agement association with respect to a condo-  
20 minium which the individual owns, such indi-  
21 vidual shall be treated as having made the indi-  
22 vidual’s proportionate share of any expenditures  
23 of such association.

24 “(B) CONDOMINIUM MANAGEMENT ASSO-  
25 CIATION.—For purposes of this paragraph, the

1 term ‘condominium management association’  
2 means an organization which meets the require-  
3 ments of paragraph (1) of section 528(c) (other  
4 than subparagraph (E) thereof) with respect to  
5 a condominium project substantially all of the  
6 units of which are used as residences.

7 “(6) ALLOCATION IN CERTAIN CASES.—If less  
8 than 80 percent of the use of an item is for nonbusi-  
9 ness purposes, only that portion of the expenditures  
10 for such item which is properly allocable to use for  
11 nonbusiness purposes shall be taken into account.

12 “(7) WHEN EXPENDITURE MADE; AMOUNT OF  
13 EXPENDITURE.—

14 “(A) IN GENERAL.—Except as provided in  
15 subparagraph (B), an expenditure with respect  
16 to an item shall be treated as made when the  
17 original installation of the item is completed.

18 “(B) EXPENDITURES PART OF BUILDING  
19 CONSTRUCTION.—In the case of an expenditure  
20 in connection with the construction or recon-  
21 struction of a structure, such expenditure shall  
22 be treated as made when the original use of the  
23 constructed or reconstructed structure by the  
24 taxpayer begins.

1           “(C) AMOUNT.—The amount of any ex-  
2           penditure shall be the cost thereof.

3           “(8) PROPERTY FINANCED BY SUBSIDIZED EN-  
4           ERGY FINANCING.—For purposes of determining the  
5           amount of expenditures made by any individual with  
6           respect to any dwelling unit, there shall not be taken  
7           into account expenditures which are made from sub-  
8           sidized energy financing (as defined in section  
9           48(a)(4)(C)).

10          “(e) BASIS ADJUSTMENTS.—For purposes of this  
11         subtitle, if a credit is allowed under this section for any  
12         expenditure with respect to any property, the increase in  
13         the basis of such property which would (but for this sub-  
14         section) result from such expenditure shall be reduced by  
15         the amount of the credit so allowed.

16          “(f) TERMINATION.—The credit allowed under this  
17         section shall not apply to taxable years beginning after  
18         December 31, 2007.”.

19          (b) CONFORMING AMENDMENTS.—

20                 (1) Section 1016(a) is amended by striking  
21                 “and” at the end of paragraph (30), by striking the  
22                 period at the end of paragraph (31) and inserting “,  
23                 and”, and by adding at the end the following new  
24                 paragraph:

1 “(32) to the extent provided in section 25C(e),  
2 in the case of amounts with respect to which a credit  
3 has been allowed under section 25C.”.

4 (2) The table of sections for subpart A of part  
5 IV of subchapter A of chapter 1 is amended by in-  
6 serting after the item relating to section 25B the fol-  
7 lowing new item:

“Sec. 25C. Residential energy efficient property.”.

8 (c) EFFECTIVE DATE.—The amendments made by  
9 this section shall apply to expenditures made after the  
10 date of the enactment of this Act.

11 **SEC. 202. CREDIT FOR BUSINESS INSTALLATION OF QUALI-**  
12 **FIED FUEL CELLS.**

13 (a) IN GENERAL.—Section 48(a)(3)(A) (defining en-  
14 ergy property) is amended by striking “or” at the end of  
15 clause (i), by adding “or” at the end of clause (ii), and  
16 by inserting after clause (ii) the following new clause:

17 “(iii) qualified fuel cell property,”.

18 (b) ENERGY PERCENTAGE.—Subparagraph (A) of  
19 section 48(a)(2) (relating to energy percentage) is amend-  
20 ed to read as follows:

21 “(A) IN GENERAL.—The energy percent-  
22 age is—

23 “(i) in the case of qualified fuel cell  
24 property, 15 percent, and

1 “(ii) in the case of any other energy  
2 property, 10 percent.”.

3 (c) QUALIFIED FUEL CELL PROPERTY.—Section 48  
4 (relating to energy credit) is amended—

5 (1) by redesignating subsection (b) as para-  
6 graph (5) of subsection (a),

7 (2) by striking “subsection (a)” in paragraph  
8 (5) of subsection (a), as redesignated by paragraph  
9 (1), and inserting “this subsection”, and

10 (3) by adding at the end the following new sub-  
11 section:

12 “(b) QUALIFIED FUEL CELL PROPERTY.—For pur-  
13 poses of subsection (a)(3)(A)(iii)—

14 “(1) IN GENERAL.—The term ‘qualified fuel  
15 cell property’ means a fuel cell power plant which  
16 generates at least 0.5 kilowatt of electricity using an  
17 electrochemical process.

18 “(2) LIMITATION.—The energy credit with re-  
19 spect to any qualified fuel cell property shall not ex-  
20 ceed an amount equal to \$500 for each 0.5 kilowatt  
21 of capacity of such property.

22 “(3) FUEL CELL POWER PLANT.—The term  
23 ‘fuel cell power plant’ means an integrated system,  
24 comprised of a fuel cell stack assembly and associ-

1       ated balance of plant components, which converts a  
2       fuel into electricity using electrochemical means.

3           “(4) TERMINATION.—The term ‘qualified fuel  
4       cell property’ shall not include any property placed  
5       in service after December 31, 2007.”.

6       (d) CONFORMING AMENDMENT.—Section 48(a)(1) is  
7       amended by inserting “except as provided in subsection  
8       (b)(2),” before “the energy”.

9       (e) EFFECTIVE DATE.—The amendments made by  
10      this section shall apply to property placed in service after  
11      April 11, 2005, under rules similar to the rules of section  
12      48(m) of the Internal Revenue Code of 1986 (as in effect  
13      on the day before the date of the enactment of the Rev-  
14      enue Reconciliation Act of 1990).

15   **SEC. 203. REDUCED MOTOR FUEL EXCISE TAX ON CERTAIN**  
16           **MIXTURES OF DIESEL FUEL.**

17       (a) IN GENERAL.—Paragraph (2) of section 4081(a)  
18      is amended by adding at the end the following:

19           “(D) DIESEL-WATER FUEL EMULSION.—In  
20      the case of diesel-water fuel emulsion at least  
21      16.9 percent of which is water and with respect  
22      to which the emulsion additive is registered by  
23      a United States manufacturer with the Envi-  
24      ronmental Protection Agency pursuant to sec-  
25      tion 211 of the Clean Air Act (as in effect on



1 March 31, 2003), subparagraph (A)(iii) shall be  
2 applied by substituting ‘19.7 cents’ for ‘24.3  
3 cents’.”.

4 (b) SPECIAL RULES FOR DIESEL-WATER FUEL  
5 EMULSIONS.—

6 (1) REFUNDS FOR TAX-PAID PURCHASES.—Sec-  
7 tion 6427 is amended by redesignating subsections  
8 (m) through (p) as subsections (n) through (q), re-  
9 spectively, and by inserting after subsection (l) the  
10 following new subsection:

11 “(m) DIESEL FUEL USED TO PRODUCE EMUL-  
12 SION.—

13 “(1) IN GENERAL.—Except as provided in sub-  
14 section (k), if any diesel fuel on which tax was im-  
15 posed by section 4081 at the regular tax rate is used  
16 by any person in producing an emulsion described in  
17 section 4081(a)(2)(D) which is sold or used in such  
18 person’s trade or business, the Secretary shall pay  
19 (without interest) to such person an amount equal to  
20 the excess of the regular tax rate over the incentive  
21 tax rate with respect to such fuel.

22 “(2) DEFINITIONS.—For purposes of paragraph  
23 (1)—

24 “(A) REGULAR TAX RATE.—The term ‘reg-  
25 ular tax rate’ means the aggregate rate of tax

1 imposed by section 4081 determined without re-  
2 gard to section 4081(a)(2)(D).

3 “(B) INCENTIVE TAX RATE.—The term  
4 ‘incentive tax rate’ means the aggregate rate of  
5 tax imposed by section 4081 determined with  
6 regard to section 4081(a)(2)(D).”.

7 (2) LATER SEPARATION OF FUEL.—Section  
8 4081 (relating to imposition of tax) is amended by  
9 inserting after subsection (b) the following new sub-  
10 section:

11 “(c) LATER SEPARATION OF FUEL FROM DIESEL-  
12 WATER FUEL EMULSION.—If any person separates the  
13 taxable fuel from a diesel-water fuel emulsion on which  
14 tax was imposed under subsection (a) at a rate determined  
15 under subsection (a)(2)(D) (or with respect to which a  
16 credit or payment was allowed or made by reason of sec-  
17 tion 6427), such person shall be treated as the refiner of  
18 such taxable fuel. The amount of tax imposed on any re-  
19 moval of such fuel by such person shall be reduced by the  
20 amount of tax imposed (and not credited or refunded) on  
21 any prior removal or entry of such fuel.”.

22 (c) EFFECTIVE DATE.—The amendments made by  
23 this section shall take effect on January 1, 2006.

1 **SEC. 204. AMORTIZATION OF DELAY RENTAL PAYMENTS.**

2 (a) IN GENERAL.—Section 167 (relating to deprecia-  
3 tion) is amended by redesignating subsection (h) as sub-  
4 section (i) and by inserting after subsection (g) the fol-  
5 lowing new subsection:

6 “(h) AMORTIZATION OF DELAY RENTAL PAYMENTS  
7 FOR DOMESTIC OIL AND GAS WELLS.—

8 “(1) IN GENERAL.—Any delay rental payment  
9 paid or incurred in connection with the development  
10 of oil or gas wells within the United States (as de-  
11 fined in section 638) shall be allowed as a deduction  
12 ratably over the 24-month period beginning on the  
13 date that such payment was paid or incurred.

14 “(2) HALF-YEAR CONVENTION.—For purposes  
15 of paragraph (1), any payment paid or incurred dur-  
16 ing the taxable year shall be treated as paid or in-  
17 curred on the mid-point of such taxable year.

18 “(3) EXCLUSIVE METHOD.—Except as provided  
19 in this subsection, no depreciation or amortization  
20 deduction shall be allowed with respect to such pay-  
21 ments.

22 “(4) TREATMENT UPON ABANDONMENT.—If  
23 any property to which a delay rental payment relates  
24 is retired or abandoned during the 24-month period  
25 described in paragraph (1), no deduction shall be al-  
26 lowed on account of such retirement or abandon-

1       ment and the amortization deduction under this sub-  
2       section shall continue with respect to such payment.

3           “(5) DELAY RENTAL PAYMENTS.—For purposes  
4       of this subsection, the term ‘delay rental payment’  
5       means an amount paid for the privilege of deferring  
6       development of an oil or gas well under an oil or gas  
7       lease.”.

8       (b) EFFECTIVE DATE.—The amendments made by  
9       this section shall apply to amounts paid or incurred in tax-  
10      able years beginning after the date of the enactment of  
11      this Act.

12   **SEC. 205. AMORTIZATION OF GEOLOGICAL AND GEO-**  
13           **PHYSICAL EXPENDITURES.**

14       (a) IN GENERAL.—Section 167 (relating to deprecia-  
15      tion), as amended by section 204 of this Act, is amended  
16      by redesignating subsection (i) as subsection (j) and by  
17      inserting after subsection (h) the following new subsection:

18           “(i) AMORTIZATION OF GEOLOGICAL AND GEO-  
19      PHYSICAL EXPENDITURES.—

20           “(1) IN GENERAL.—Any geological and geo-  
21      physical expenses paid or incurred in connection  
22      with the exploration for, or development of, oil or  
23      gas within the United States (as defined in section  
24      638) shall be allowed as a deduction ratably over the

1       24-month period beginning on the date that such ex-  
2       pense was paid or incurred.

3           “(2) SPECIAL RULES.—For purposes of this  
4       subsection, rules similar to the rules of paragraphs  
5       (2), (3), and (4) of subsection (h) shall apply.”.

6       (b) CONFORMING AMENDMENT.—Section 263A(c)(3)  
7       is amended by inserting “167(h), 167(i),” after “under  
8       section”.

9       (c) EFFECTIVE DATE.—The amendments made by  
10      this section shall apply to amounts paid or incurred in tax-  
11      able years beginning after the date of the enactment of  
12      this Act.

13   **SEC. 206. ADVANCED LEAN BURN TECHNOLOGY MOTOR VE-**  
14           **HICLE CREDIT.**

15       (a) IN GENERAL.—Subpart B of part IV of sub-  
16      chapter A of chapter 1 (relating to other credits) is  
17      amended by adding at the end the following:

18   **“SEC. 30B. ADVANCED LEAN BURN TECHNOLOGY MOTOR**  
19           **VEHICLE CREDIT.**

20       “(a) ALLOWANCE OF CREDIT.—There shall be al-  
21      lowed as a credit against the tax imposed by this chapter  
22      for the taxable year an amount equal to the sum of the  
23      credit amounts determined under subsection (b) with re-  
24      spect to each qualified advanced lean burn technology

1 motor vehicle placed in service by the taxpayer during the  
2 taxable year.

3 “(b) CREDIT AMOUNT.—For purposes of subsection  
4 (a)—

5 “(1) FUEL EFFICIENCY.—The credit amount  
6 with respect to any vehicle shall be—

7 “(A) \$500, if the city fuel economy of such  
8 vehicle is at least 125 percent but less than 150  
9 percent of the 2000 model year city fuel econ-  
10 omy for a vehicle in the same inertia weight  
11 class,

12 “(B) \$1,000, if the city fuel economy of  
13 such vehicle is at least 150 percent but less  
14 than 175 percent of the 2000 model year city  
15 fuel economy for a vehicle in the same inertia  
16 weight class,

17 “(C) \$1,500, if the city fuel economy of  
18 such vehicle is at least 175 percent but less  
19 than 200 percent of the 2000 model year city  
20 fuel economy for a vehicle in the same inertia  
21 weight class,

22 “(D) \$2,000, if the city fuel economy of  
23 such vehicle is at least 200 percent but less  
24 than 225 percent of the 2000 model year city

1 fuel economy for a vehicle in the same inertia  
2 weight class,

3 “(E) \$2,500, if the city fuel economy of  
4 such vehicle is at least 225 percent but less  
5 than 250 percent of the 2000 model year city  
6 fuel economy for a vehicle in the same inertia  
7 weight class, and

8 “(F) \$3,000, if the city fuel economy of  
9 such vehicle is at least 250 percent of the 2000  
10 model year city fuel economy for a vehicle in  
11 the same inertia weight class.

12 “(2) CONSERVATION.—The credit amount de-  
13 termined under paragraph (1) with respect to any  
14 vehicle shall be increased by—

15 “(A) \$250, if the lifetime fuel savings of  
16 such vehicle is at least 1,500 gallons of motor  
17 fuel but less than 2,500 gallons of motor fuel,  
18 and

19 “(B) \$500, if the lifetime fuel savings of  
20 such vehicle is at least 2,500 gallons of motor  
21 fuel.

22 “(c) LIMITATION BASED ON AMOUNT OF TAX.—The  
23 credit allowed under subsection (a) for the taxable year  
24 shall not exceed the excess of—

1 “(1) the sum of the regular tax liability (as de-  
2 fined in section 26(b)) plus the tax imposed by sec-  
3 tion 55, over

4 “(2) the sum of the credits allowable under sub-  
5 part A and sections 27 and 30A for the taxable  
6 year.

7 “(d) DEFINITIONS.—For purposes of this section—

8 “(1) QUALIFIED ADVANCED LEAN BURN TECH-  
9 NOLOGY MOTOR VEHICLE.—The term ‘qualified ad-  
10 vanced lean burn technology motor vehicle’ means a  
11 motor vehicle—

12 “(A) the original use of which commences  
13 with the taxpayer,

14 “(B) powered by an internal combustion  
15 engine that—

16 “(i) is designed to operate primarily  
17 using more air than is necessary for com-  
18 plete combustion of the fuel, and

19 “(ii) incorporates direct injection,

20 “(C) that only uses diesel fuel (as defined  
21 in section 4083(a)(3)),

22 “(D) the city fuel economy of which is at  
23 least 125 percent of the 2000 model year city  
24 fuel economy for a vehicle in the same inertia  
25 weight class, and



1           “(E) that has received a certificate that  
 2           such vehicle meets or exceeds the Bin 8 Tier II  
 3           emission level established in regulations pre-  
 4           scribed by the Administrator of the Environ-  
 5           mental Protection Agency under section 202(i)  
 6           of the Clean Air Act.

7           “(2) LIFETIME FUEL SAVINGS.—The term ‘life-  
 8           time fuel savings’ means, with respect to a qualified  
 9           advanced lean burn technology motor vehicle, an  
 10          amount equal to the excess (if any) of—

11           “(A) 120,000 divided by the 2000 model  
 12          year city fuel economy for the vehicle inertia  
 13          weight class, over

14           “(B) 120,000 divided by the city fuel econ-  
 15          omy for such vehicle.

16           “(3) 2000 MODEL YEAR CITY FUEL ECON-  
 17          OMY.—The 2000 model year city fuel economy with  
 18          respect to a vehicle shall be determined in accord-  
 19          ance with the following tables:

20           “(A) In the case of a passenger auto-  
 21          mobile:

<b>If vehicle inertia weight</b>	<b>The 2000 model year city fuel economy is:</b>
<b>class is:</b>	
1,500 or 1,750 lbs .....	43.7 mpg
2,000 lbs .....	38.3 mpg
2,250 lbs .....	34.1 mpg
2,500 lbs .....	30.7 mpg
2,750 lbs .....	27.9 mpg
3,000 lbs .....	25.6 mpg
3,500 lbs .....	22.0 mpg
4,000 lbs .....	19.3 mpg

<b>“If vehicle inertia weight The 2000 model year city fuel</b>	
<b>class is: economy is:</b>	
4,500 lbs .....	17.2 mpg
5,000 lbs .....	15.5 mpg
5,500 lbs .....	14.1 mpg
6,000 lbs .....	12.9 mpg
6,500 lbs .....	11.9 mpg
7,000 or 8,500 lbs .....	11.1 mpg.

1	“(B) In the case of a light truck:
	<b>“If vehicle inertia weight The 2000 model year city fuel</b>
	<b>class is: economy is:</b>
	1,500 or 1,750 lbs ..... 37.6 mpg
	2,000 lbs ..... 33.7 mpg
	2,250 lbs ..... 30.6 mpg
	2,500 lbs ..... 28.0 mpg
	2,750 lbs ..... 25.9 mpg
	3,000 lbs ..... 24.1 mpg
	3,500 lbs ..... 21.3 mpg
	4,000 lbs ..... 19.0 mpg
	4,500 lbs ..... 17.3 mpg
	5,000 lbs ..... 15.8 mpg
	5,500 lbs ..... 14.6 mpg
	6,000 lbs ..... 13.6 mpg
	6,500 lbs ..... 12.8 mpg
	7,000 or 8,500 lbs ..... 12.0 mpg.

2           “(4) MOTOR VEHICLE.—The term ‘motor vehi-

3           cle’ has the meaning given such term by section

4           30(c)(2).

5           “(5) CITY FUEL ECONOMY.—City fuel economy

6           with respect to any vehicle shall be measured in ac-

7           cordance with testing and calculation procedures es-

8           tablished by the Administrator of the Environmental

9           Protection Agency by regulations in effect on April

10          11, 2005.

11          “(6) OTHER TERMS.—The terms ‘passenger

12          automobile’, ‘light truck’, and ‘manufacturer’ shall

13          have the meanings given such terms in regulations

14          prescribed by the Administrator of the Environ-

1       mental Protection Agency for purposes of the admin-  
2       istration of title II of the Clean Air Act (42 U.S.C.  
3       7521 et seq.).

4       “(e) CARRYFORWARD ALLOWED.—

5               “(1) IN GENERAL.—If the credit amount allow-  
6       able under subsection (a) for a taxable year exceeds  
7       the amount of the limitation under subsection (c) for  
8       such taxable year (referred to as the ‘unused credit  
9       year’ in this paragraph), such excess shall be allowed  
10      as a credit carryforward for each of the 20 taxable  
11      years following the unused credit year.

12              “(2) RULES.—Rules similar to the rules of sec-  
13      tion 39 shall apply with respect to the credit  
14      carryforward under paragraph (1).

15      “(f) SPECIAL RULES.—For purposes of this  
16      section—

17              “(1) REDUCTION IN BASIS.—The basis of any  
18      property for which a credit is allowable under sub-  
19      section (a) shall be reduced by the amount of such  
20      credit (determined without regard to subsection (c)).

21              “(2) NO DOUBLE BENEFIT.—The amount of  
22      any deduction or credit allowable under this chapter  
23      (other than the credit allowable under subsection  
24      (a)), with respect to any vehicle shall be reduced by  
25      the amount of credit allowed under subsection (a)

1 (determined without regard to subsection (c)) for  
2 such vehicle for the taxable year.

3 “(3) PROPERTY USED BY TAX-EXEMPT ENTI-  
4 TY.—In the case of a vehicle whose use is described  
5 in paragraph (3) or (4) of section 50(b) and which  
6 is not subject to a lease, the person who sold such  
7 vehicle to the person or entity using such vehicle  
8 shall be treated as the taxpayer that placed such ve-  
9 hicle in service, but only if such person clearly dis-  
10 closes to such person or entity in a document the  
11 amount of any credit allowable under subsection (a)  
12 with respect to such vehicle (determined without re-  
13 gard to subsection (c)).

14 “(4) PROPERTY USED OUTSIDE UNITED  
15 STATES, ETC., NOT QUALIFIED.—No credit shall be  
16 allowable under subsection (a) with respect to any  
17 property referred to in section 50(b)(1) or with re-  
18 spect to the portion of the cost of any property  
19 taken into account under section 179.

20 “(5) ELECTION NOT TO TAKE CREDIT.—No  
21 credit shall be allowed under subsection (a) for any  
22 vehicle if the taxpayer elects not to have this section  
23 apply to such vehicle.

24 “(6) INTERACTION WITH AIR QUALITY AND  
25 MOTOR VEHICLE SAFETY STANDARDS.—Unless oth-

1       erwise provided in this section, a motor vehicle shall  
2       not be considered eligible for a credit under this sec-  
3       tion unless such vehicle is in compliance with—

4               “(A) the applicable provisions of the Clean  
5       Air Act for the applicable make and model year  
6       of the vehicle (or applicable air quality provi-  
7       sions of State law in the case of a State which  
8       has adopted such provision under a waiver  
9       under section 209(b) of the Clean Air Act), and

10              “(B) the motor vehicle safety provisions of  
11       sections 30101 through 30169 of title 49,  
12       United States Code.

13       “(g) REGULATIONS.—

14              “(1) IN GENERAL.—The Secretary shall pro-  
15       mulgate such regulations as necessary to carry out  
16       this section, including regulations to prevent the  
17       avoidance of the purposes of this section through  
18       disposal of any motor vehicle or leasing of any motor  
19       vehicle for a lease period of less than the economic  
20       life of such vehicle.

21              “(2) DETERMINATION OF MOTOR VEHICLE ELI-  
22       GIBILITY.—The Secretary, in coordination with the  
23       Secretary of Transportation and the Administrator  
24       of the Environmental Protection Agency, shall pre-  
25       scribe such regulations as necessary to determine

1       whether a motor vehicle meets the requirements to  
2       be eligible for a credit under this section.

3       “(h) TERMINATION.—This section shall not apply to  
4 any property placed in service after December 31, 2007.”.

5       (b) CONFORMING AMENDMENTS.—

6           (1) Section 1016(a), as amended by section 201  
7 of this Act, is amended by striking “and” at the end  
8 of paragraph (31), by striking the period at the end  
9 of paragraph (32) and inserting “, and”, and by  
10 adding at the end the following:

11           “(33) to the extent provided in section  
12 30B(f)(1).”.

13           (2) Section 6501(m) is amended by inserting  
14 “30B(f)(6),” after “30(d)(4),”.

15           (3) The table of sections for subpart B of part  
16 IV of subchapter A of chapter 1 is amended by in-  
17 serting after the item relating to section 30A the fol-  
18 lowing:

“Sec. 30B. Advanced lean burn technology motor vehicle credit.”.

19       (c) EFFECTIVE DATE.—The amendments made by  
20 this section shall apply to property placed in service after  
21 the date of the enactment of this Act in taxable years end-  
22 ing after such date.

1 **SEC. 207. CREDIT FOR ENERGY EFFICIENCY IMPROVE-**  
2 **MENTS TO EXISTING HOMES.**

3 (a) IN GENERAL.—Subpart A of part IV of sub-  
4 chapter A of chapter 1 (relating to nonrefundable personal  
5 credits), as amended by section 201, is amended by insert-  
6 ing after section 25C the following new section:

7 **“SEC. 25D. ENERGY EFFICIENCY IMPROVEMENTS TO EXIST-**  
8 **ING HOMES.**

9 “(a) ALLOWANCE OF CREDIT.—In the case of an in-  
10 dividual, there shall be allowed as a credit against the tax  
11 imposed by this chapter for the taxable year an amount  
12 equal to 20 percent of the amount paid or incurred by  
13 the taxpayer for qualified energy efficiency improvements  
14 installed during such taxable year.

15 “(b) LIMITATIONS.—

16 “(1) MAXIMUM CREDIT.—The credit allowed by  
17 this section with respect to a dwelling unit shall not  
18 exceed \$2,000.

19 “(2) PRIOR CREDIT AMOUNTS FOR TAXPAYER  
20 ON SAME DWELLING TAKEN INTO ACCOUNT.—If a  
21 credit was allowed to the taxpayer under subsection  
22 (a) with respect to a dwelling unit in 1 or more prior  
23 taxable years, the amount of the credit otherwise al-  
24 lowable for the taxable year with respect to that  
25 dwelling unit shall be reduced by the sum of the  
26 credits allowed under subsection (a) to the taxpayer

1 with respect to the dwelling unit for all prior taxable  
2 years.

3 “(c) QUALIFIED ENERGY EFFICIENCY IMPROVE-  
4 MENTS.—For purposes of this section, the term ‘qualified  
5 energy efficiency improvements’ means any energy effi-  
6 cient building envelope component which meets the pre-  
7 scriptive criteria for such component established by the  
8 2000 International Energy Conservation Code, as such  
9 Code (including supplements) is in effect on the date of  
10 the enactment of this section (or, in the case of a metal  
11 roof with appropriate pigmented coatings which meet the  
12 Energy Star program requirements), if—

13 “(1) such component is installed in or on a  
14 dwelling unit located in the United States and  
15 owned and used by the taxpayer as the taxpayer’s  
16 principal residence (within the meaning of section  
17 121),

18 “(2) the original use of such component com-  
19 mences with the taxpayer, and

20 “(3) such component reasonably can be ex-  
21 pected to remain in use for at least 5 years.

22 If the aggregate cost of such components with respect to  
23 any dwelling unit exceeds \$1,000, such components shall  
24 be treated as qualified energy efficiency improvements



1 only if such components are also certified in accordance  
2 with subsection (d) as meeting such prescriptive criteria.

3 “(d) CERTIFICATION.—The certification described in  
4 subsection (c) shall be—

5 “(1) determined on the basis of the technical  
6 specifications or applicable ratings (including prod-  
7 uct labeling requirements) for the measurement of  
8 energy efficiency (based upon energy use or building  
9 envelope component performance) for the energy ef-  
10 ficient building envelope component,

11 “(2) provided by a local building regulatory au-  
12 thority, a utility, a manufactured home production  
13 inspection primary inspection agency (IPIA), or an  
14 accredited home energy rating system provider who  
15 is accredited by or otherwise authorized to use ap-  
16 proved energy performance measurement methods by  
17 the Residential Energy Services Network  
18 (RESNET), and

19 “(3) made in writing in a manner which speci-  
20 fies in readily verifiable fashion the energy efficient  
21 building envelope components installed and their re-  
22 spective energy efficiency levels.

23 “(e) DEFINITIONS AND SPECIAL RULES.—For pur-  
24 poses of this section—

1           “(1) BUILDING ENVELOPE COMPONENT.—The  
2           term ‘building envelope component’ means—

3                   “(A) any insulation material or system  
4                   which is specifically and primarily designed to  
5                   reduce the heat loss or gain of a dwelling unit  
6                   when installed in or on such dwelling unit,

7                   “(B) exterior windows (including sky-  
8                   lights),

9                   “(C) exterior doors, and

10                  “(D) any metal roof installed on a dwelling  
11                  unit, but only if such roof has appropriate pig-  
12                  mented coatings which are specifically and pri-  
13                  marily designed to reduce the heat gain of such  
14                  dwelling unit.

15           “(2) MANUFACTURED HOMES INCLUDED.—The  
16           term ‘dwelling unit’ includes a manufactured home  
17           which conforms to Federal Manufactured Home  
18           Construction and Safety Standards (section 3280 of  
19           title 24, Code of Federal Regulations).

20           “(3) APPLICATION OF RULES.—Rules similar to  
21           the rules under paragraphs (3), (4), and (5) of sec-  
22           tion 25C(d) shall apply.

23           “(f) BASIS ADJUSTMENT.—For purposes of this sub-  
24           title, if a credit is allowed under this section for any ex-  
25           penditure with respect to any property, the increase in the

1 basis of such property which would (but for this sub-  
2 section) result from such expenditure shall be reduced by  
3 the amount of the credit so allowed.

4 “(g) APPLICATION OF SECTION.—This section shall  
5 apply to qualified energy efficiency improvements installed  
6 after the date of the enactment of this section, and before  
7 January 1, 2008.”.

8 (b) CONFORMING AMENDMENTS.—

9 (1) Subsection (a) of section 1016, as amended  
10 by section 206 of this Act, is amended by striking  
11 “and” at the end of paragraph (32), by striking the  
12 period at the end of paragraph (33) and inserting “,  
13 and”, and by adding at the end the following new  
14 paragraph:

15 “(34) to the extent provided in section 25D(f),  
16 in the case of amounts with respect to which a credit  
17 has been allowed under section 25D.”.

18 (2) The table of sections for subpart A of part  
19 IV of subchapter A of chapter 1, as amended by sec-  
20 tion 201, is amended by inserting after the item re-  
21 lating to section 25C the following new item:

“Sec. 25D. Energy efficiency improvements to existing homes.”.

22 (c) EFFECTIVE DATE.—The amendments made by  
23 this section shall apply to improvements installed after the  
24 date of the enactment of this Act in taxable years ending  
25 after such date.

**TITLE III—ALTERNATIVE  
MINIMUM TAX RELIEF**

**SEC. 301. NEW NONREFUNDABLE PERSONAL CREDITS AL-  
LOWED AGAINST REGULAR AND MINIMUM  
TAXES.**

(a) IN GENERAL.—

(1) SECTION 25C.—Section 25C(b), as added by section 201 of this Act, is amended by adding at the end the following new paragraph:

“(3) LIMITATION BASED ON AMOUNT OF TAX.—The credit allowed under subsection (a) for the taxable year shall not exceed the excess of—

“(A) the sum of the regular tax liability (as defined in section 26(b)) plus the tax imposed by section 55, over

“(B) the sum of the credits allowable under this subpart (other than this section) and section 27 for the taxable year.”.

(2) SECTION 25D.—Section 25D(b), as added by section 207 of this Act, is amended by adding at the end the following new paragraph:

“(3) LIMITATION BASED ON AMOUNT OF TAX.—The credit allowed under subsection (a) for the taxable year shall not exceed the excess of—

1           “(A) the sum of the regular tax liability  
2           (as defined in section 26(b)) plus the tax im-  
3           posed by section 55, over

4           “(B) the sum of the credits allowable  
5           under this subpart (other than this section) and  
6           section 27 for the taxable year.”.

7       (b) CONFORMING AMENDMENTS.—

8           (1) Section 23(b)(4)(B) is amended by inserting  
9           “and sections 25C and 25D” after “this section”.

10          (2) Section 24(b)(3)(B) is amended by striking  
11          “and 25B” and inserting “, 25B, 25C, and 25D”.

12          (3) Section 25(e)(1)(C) is amended by inserting  
13          “25C, and 25D” after “25B,”.

14          (4) Section 25B(g)(2) is amended by striking  
15          “section 23” and inserting “sections 23, 25C, and  
16          25D”.

17          (5) Section 26(a)(1) is amended by striking  
18          “and 25B” and inserting “25B, 25C, and 25D”.

19          (6) Section 904(h) is amended by striking “and  
20          25B” and inserting “25B, 25C, and 25D”.

21          (7) Section 1400C(d) is amended by striking  
22          “and 25B” and inserting “25B, 25C, and 25D”.

23       (c) EFFECTIVE DATE.—The amendments made by  
24       this section shall apply to taxable years beginning after  
25       December 31, 2005.

1 **SEC. 302. CERTAIN BUSINESS ENERGY CREDITS ALLOWED**  
2 **AGAINST REGULAR AND MINIMUM TAXES.**

3 (a) IN GENERAL.—Subparagraph (B) of section  
4 38(c)(4) (relating to specified credits) is amended by re-  
5 designating clause (ii) as clause (iv) and by striking clause  
6 (i) and inserting the following new clauses:

7 “(i) the credits determined under sec-  
8 tions 40, 45H, and 45I,

9 “(ii) so much of the credit determined  
10 under section 46 as is attributable to sec-  
11 tion 48(a)(3)(A)(iii),

12 “(iii) for taxable years beginning after  
13 December 31, 2005, and before January 1,  
14 2008, the credit determined under section  
15 43, and”.

16 (b) EFFECTIVE DATES.—

17 (1) IN GENERAL.—Except as provided by para-  
18 graph (2), the amendment made by subsection (a)  
19 shall apply to credits determined under the Internal  
20 Revenue Code of 1986 for taxable years beginning  
21 after December 31, 2005.

22 (2) FUEL CELLS.—Clause (ii) of section  
23 38(c)(4)(B) of the Internal Revenue Code of 1986,  
24 as amended by subsection (a) of this section, shall  
25 apply to credits determined under the Internal Rev-

- 1 enue Code of 1986 for taxable years ending after
- 2 April 11, 2005.